**Practice test 2: Australia in the Global Economy**

**Marking Guidelines**

**Multiple Choice Answers**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** |
| C | B | A | B | A | C | B | B | B | D |
| **11** | **12** | **13** | **14** | **15** | **16** | **17** | **18** | **19** | **20** |
| D | D | D | A | C | D | D | A | D | B |

21.

* 1. Outline ONE factor that can lead to a deterioration in the Balance on Goods and Services

|  |  |
| --- | --- |
| Comment | Mark |
| Accurate outline ie decrease in competitiveness, world recession | 2 |
| Approximate answer | 1 |

* 1. Explain how Australia could experience an increasing Current Account Deficit

while simultaneously experiencing record Terms of Trade (3 marks)

|  |  |
| --- | --- |
| Comment | Mark |
| Discussion of net incomes or strong increase in imports/decline in  exports | 3-2 |
| Approximate answer | 1 |

* 1. Assess the significance of Australia’s Current Account Deficit (5 marks)

|  |  |
| --- | --- |
| Comment | Mark |
| Accurate assessment of CAD including definition eg volatile exchange  rates, reduced growth, reduced foreign investment, structural change | 4-5 |
| Some mention of points listed above | 2-3 |
| Approximate answer | 1 |

22. a) Define what is meant by an appreciation in the exchange rate. (2 marks)

|  |  |
| --- | --- |
| Comment | Mark |
| Accurate definition eg increase in the value of one currency in  comparsion to another | 2 |
| Vague definition | 1 |

b) Outline TWO factors affecting the supply of Australian dollars. (4 marks)

|  |  |
| --- | --- |
| Comment | Mark |
| Accurate outline of factors eg increase in imports, Australians investing  overseas | 3-4 |
| Limited response | 1-2 |

1. Analyse TWO effects of a depreciation in the Australian dollar on the Australian economy.

(4 marks)

|  |  |
| --- | --- |
| Comment | Mark |
| Correct, indepth analysis of effects of depreciation eg increased  Competitiveness of exports, dearer imports, imported inflation | 3-4 |
| Limited analysis | 1-2 |